

TRIPOLI 00000563 P CO 13-JUL-08 OXY'S 30-YEAR EXTENSION IN LIBYA AND WHAT LIES AHEAD FOR OTHER IOCS [7783536]From:
CBPC, EACTAPP [EACTAPP@state.sgov.gov]
Sent: Sunday, July 13, 2008 4:06 PM
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Subject: TRIPOLI 00000563 P CO 13-JUL-08 OXY'S 30-YEAR EXTENSION IN LIBYA AND
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C O N F I D E N T I A L SECTION 01 OF 03 TRIPOLI 000563

DEPT FOR NEA/MAG; COMMERCE FOR NATE MASON
ENERGY FOR GINA ERICKSON

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SUBJECT: OXY'S 30-YEAR EXTENSION IN LIBYA AND WHAT LIES AHEAD FOR OTHER IOCS REF: A) TRIPOLI 555 B) 2007 TRIPOLI 983 TRIPOLI 00000563 001.2

CLASSIFIED BY: John T. Godfrey, CDA, Embassy Tripoli, U.S. Dept of State. REASON: 1.4 (b), (d)

1. (C) Summary: The long-awaited ratification of Oxy's contract extension in Libya has solidified its position as one of Libya's leading oil
2. (C) Following the well-publicized announcement of Occidental Petroleum's (Oxy) extension in Libya (Ref A), post's Econoff and Econ/Commerci
DONE DEAL - AT LAST
3. (C) Winterman confirmed the general contract terms outlined in press reports. Oxy and its partner OMV (Austria) signed a total of five Exp
4. (C) A two-person NOC negotiating team worked on all three agreements (Eni, Petro-Canada and Oxy). The NOC's driving force behind the negc
NEW TERMS ARE BROADLY BENEFICIAL
5. (C) The IOCs' previous deals were based on a fixed margin, meaning that companies were somewhat insulated from fluxuations in the market f
6. (C) An additional element of the new terms is that the ties between the IOCs and their local Libyan operating partners (Zuetina in Oxy/OMV
TWO SHORTCOMINGS: BOOKED RESERVES SHARE SMALLER .
7. (C) The new contracts, which feature lower production shares (now in the 10-12% range, down from 20% or higher), mean that companies can r
8. (C) An additional consideration in this regard is the recent surge of interest in Libya on the part of non-Western IOCs (particularly from
..AND GREATER NOC INVOLVEMENT NOT A PANACEA
9. (C) Although the new agreements carry substantial benefits, the more central involvement of the NOC does not by itself guarantee more effi
NEXT ON THE BLOCK: EVERYONE ELSE
10. (C) Winterman was confident in predicting that Repsol (Spain), Wintershall (Germany) and TOTAL (France) were the next IOCs who would be f
11. (C) This will present a unique challenge for the Oasis group, as the two major shareholders (CP and Marathon) reportedly have very differ
12. (C) COMMENT: Although the concession extensions carry some positive aspects, the fact that the NOC may be prepared to reopen negotiator
GODFREY.